

Bahamas Sets Tough Measures Aimed At Eliminating Money Laundering

By NICKI KELLY

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NASSAU — Four years ago the sight of a suitcase stacked with US\$100 bills was unlikely to prompt even a blink from a bank manager in the Bahamas. Today it is likely to trigger an all-stations alert.

Worried by the increasing severity of U.S. attacks on the country's \$100 million a year banking industry, Bahamian authorities have introduced tough new measures to eliminate the money-laundering activities of drug smugglers and tax evaders.

All large cash sums placed on deposit in this tax haven must be reported to the central bank. At the same time, Bahamian attorneys, accountants and management company officials who formerly operated foreign currency accounts for non-resident clients need central bank clearance to continue doing so.

They were given 60 days through April 30 to regularize their position.

After that, commercial banks were instructed to discontinue any activity on all accounts for which approval has been withheld.

The central bank is also insisting on monthly reports detailing the movement of foreign assets in and out of client accounts, and checking regularly for any suspicious activity.

Measures taken thus far will shortly be supplemented by a Code of Conduct for Bahamian banks similar to that governing Swiss banks. "The code is necessary to ensure recognition of the Bahamas as a legitimate financial center, not just a tax haven," said Peter Albisser, chairman of the Association of International Banks and Trust Companies in the Bahamas, and senior vice president of Banca Della Svizzera Italiana (Overseas) Ltd., a Swiss bank.

Bahamian secrecy laws, like those in other Caribbean tax havens, have become a source of growing irritation for U.S. authorities, who contend that

they are being used by American tax evaders and drug smugglers to escape justice at home.

A U.S. Treasury Department report published in January noted that the Internal Revenue Service had identified at least 464 cases between January 1978 and August 1983 in which criminal activity may have involved financial transactions with Caribbean Basin countries.

The IRS claimed however that many cases had to be dropped or were thrown out of court because the countries involved were unwilling to breach their secrecy laws by providing the required evidence.

The issue came to a head last year when the Bank of Nova Scotia was cited for contempt by a U.S. federal court for denying a Florida grand jury access to Bahamian and Cayman Islands bank records of an American client being investigated for drug smuggling and tax evasion.

In Nova Scotia's appeal to the U.S. Supreme Court, the Bahamas government argued that the U.S. action violated Bahamian sovereignty and ignored available legal procedures for obtaining the records.

The appeal was denied and the bank was forced to turn over the documents or face a \$25,000-a-day fine imposed on the Miami branch.

Last September, shortly after a U.S. Senate subcommittee report recommended a more aggressive policy against uncooperative bank secrecy jurisdictions, NBC News broadcast a series of stories alleging protection payoffs by drug smugglers to Bahamian government ministers.

The Bahamas government claimed the NBC charges were part of a conspiracy by U.S. federal agencies to destroy the banking industry. But a Royal Commission appointed by Prime Minister Lynden Pindling to investigate the allegations has uncovered considerable evidence to support U.S. claims of money-laundering.

Using its authority to requisition bank records, the commission has methodically exposed the manner in which a number of Bahamian lawyers and some bankers manipulated foreign currency accounts and "front" companies to wash millions of illegal dollars through the banking system.

Efforts by the Bahamian government to stop the abuses has recently prompted a more conciliatory attitude by the U.S. American authorities seeking banking information now apply for a Supreme Court order under the Banks and Trust Companies Regulation Act.

In what is still very much a test situation, the court will issue a "permissive order" if the circumstances justify doing so, but does not compel a bank to reveal information.

The bank however, is "at liberty to disclose," the documents requested. Should it fail to comply with the order, the attorney general is authorized to apply for compulsory disclosure under the Foreign Tribunals Evidence Act.

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